

Message Text

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TO AMEMBASSY HELSINKI

C O N F I D E N T I A L STATE 040512

E.O. 11652: GDS

TAGS: ECON, ETRD, ESTC, FI

SUBJECT: KARKKAINEN MEETINGS AT STATE AND TREASURY

REF.: HELSINKI 349

1. SUMMARY: MFA ECONOMIC BUREAU CHIEF PERTTI KARKKAINEN DISCUSSED PAPERMAKING MACHINERY, FINNISH ECONOMIC SITUATION, AND U.S. EXPORT CONTROLS ON ELECTRONIC COMPONENTS IN MEETING FEBRUARY 13 WITH EUR/NE DIRECTOR FUNSETH. LATER HE WENT OVER STEEL TRIGGER PRICE MECHANISM WITH TREASURY DAS EHRENHAFT. END SUMMARY.

2. PAPERMAKING MACHINERY: KARKKAINEN SAID FINNISH CONCERN ON PAPERMAKING MACHINERY PROBLEM CENTERED ON HOW U.S. WOULD IMPLEMENT ANY EVENTUAL AGREEMENT REACHED WITH CUSTOMS. HE WAS WORRIED THAT DIFFERENT CUSTOMS DISTRICTS MIGHT INTERPRET AN AGREEMENT IN DIFFERENT WAYS. FUNSETH ASSURED HIM OF STATE'S INTEREST IN THIS MATTER AND SAID HE COULD ENVISION NO PROBLEMS ON UNIFORM IMPLEMENTATION ONCE DUTIES ON
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VARIOUS COMPONENTS HAD BEEN SET. HE ASSURED KARKKAINEN WE WOULD CONTINUE TO FOLLOW THE ISSUES.

3. ECONOMY: KARKKAINEN TERMED PRESENT 9 PERCENT FINNISH UNEMPLOYMENT RATE ALARMING AND ESTIMATED IT WOULD BE OVER 10 PERCENT BY END OF FEBRUARY. HE SAID EVEN THESE FIGURES UNDERSTATED ACTUAL SITUATION BECAUSE OF NUMBER OF WORKERS

ON 3 DAY WEEK AND HIGH DEGREE OF REDUNDANCY IN MANY PLANTS. HE DECLINED TO PREDICT A FINNISH DEVALUATION BUT SAID MUCH WOULD DEPEND ON WHAT SWEDEN DID. HE DID PREDICT THAT AFTER MARCH 1 A NEW MINISTER FOR FOREIGN TRADE WOULD BE APPOINTED RELIEVING THE PRIME MINISTER OF THIS PORTFOLIO, AND THAT IT WOULD PROBABLY BE A PROFESSIONAL RATHER THAN A POLITICIAN.

4. HOCKEY STICKS: KARKKAINEN SAID FINNISH COMPANIES WERE LOOKING AFTER THEMSELVES ON THIS BUT THAT GON WAS ALSO INTERESTED. LATER, AT TREASURY, DAS EHRENHAFT NOTED HE HAD RECEIVED LETTER FROM U.S. FIRMS WHICH WERE OPPOSING FINNS ON THIS ISSUE. LETTER SAID FINNS HAD INCURRED CERTAIN EXPENSES IN ESTABLISHING U.S. DISTRIBUTOR AND THAT THESE HAD NOT BEEN TAKEN ACCOUNT OF IN CALCULATING FAIR PRICE IN U.S. MARKET. KARKKAINEN PROMISED TO LOOK INTO THIS FURTHER.

5. ELECTRONIC COMPONENTS: KARKKAINEN SAID FINNISH MANUFACTURERS OF ELECTRONIC EQUIPMENT HAD BEEN IN TOUCH WITH EMBASSY HELSINKI OVER CONCERN ABOUT POSSIBLE US EXPORT CONTROLS ON COMPONENTS SUCH AS INTEGRATED CIRCUITS USED IN THE FINNISH END PRODUCT. HE SAID THESE COMPANIES EXPORTED MUCH OF WHAT THEY PRODUCED TO USSR AND WERE CONCERNED THEY MIGHT EVENTUALLY RUN AFOUL OF U.S. RESTRICTIONS. DEPARTMENT WOULD APPRECIATE ANY ADDITIONAL DETAILS EMBASSY CAN PROVIDE ON THIS. AS OF NOW, WE KNOW OF NO PROBLEMS WITH FINNS IN CONFIDENTIAL

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THIS AREA.

6. AT TREASURY, KARKKAINEN WAS GIVEN A SUMMARY OF HOW STEEL TRIGGER PRICE MECHANISM HAD BEEN DETERMINED AND HOW IT WOULD BE IMPLEMENTED. EHRENHAFT SUGGESTED THAT FINNISH STEEL FIRMS EXPECTING TO SELL BELOW TRIGGER PRICE BECAUSE OF EFFICIENT PRODUCTION METHODS FILE AS SOON AS POSSIBLE WITH TREASURY A WRITTEN REPORT JUSTIFYING THEIR LOW PRICES. KARKKAINEN SAID THIS WOULD BE DONE. VANCE

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